

RhodeWorks 2016 - H 7409

Staff Presentation to the House Finance
Committee
February 4, 2016

Introduction

- Revised “RhodeWorks” plan now contained in 2016 – H 7409
 - HFAS update to prior presentations
 - DOT Testimony
- Related proposals
 - H -7191 Amend Constitution to prohibit passenger car tolls w/o voter consent
 - H -7192 “Bridgeworks” plan
 - H - 7340 Public-Private Transportation Partnerships

Introduction

- Revised RhodeWorks plan
 - Timeline
 - Legislation
 - Additional information and issues

RhodeWorks Timeline

- May 27 - Program first announced
- June 2 - First HFC hearing on adding RhodeWorks to FY 2016 budget
- June 16 – Budget passes House without RhodeWorks
- June 22 – Second HFC hearing on stand-alone bill version
- June 23 - Senate passes its legislation

RhodeWorks Timeline

- October 7 - Economic impact analysis from REMI issued
- October 27 – Level II traffic study done
- December 4 - Federal FAST Act signed into law
- January 5 – preliminary gantry locations released
- January 28 – 2016 – H 7409 introduced

2016 - H 7409

- **Establishes Findings**
- Authorizes collection of user fees/tolls on large commercial trucks
- Authorizes bonds to finance the plan

2016 – H 7409: Findings

- Legislation identifies key findings:
 - 764 bridges greater than 20 feet in RI
 - 23% or 177 are classified as structurally deficient
 - Federal Highway Administration's 2015 National Bridge Inventory Data
 - 1 fully-loaded 5-axle tractor trailer has same impact on interstate as 9,600 cars
 - According to U.S. General Accounting Office

2016 – H 7409: Findings

- RI depends on 3 primary sources for funding all construction, maintenance, and operations
 - Federal funds, state bond funds, motor fuel taxes
- There is insufficient revenue available from existing sources to fund maintenance and improvement of RI transportation infrastructure

2016 – H 7409: Findings

- Funding gap remains between revenue needed to maintain all bridges in structurally sound & good condition & annual amounts generated by current dedicated revenue sources
 - 2011 Assembly dedicated additional RICAP and created Highway Maintenance Account (HMA) from increase in license & registration fees beginning in FY 2014
 - 2014 Assembly provided additional revenue to HMA

2016 – H 7409

- Establishes Findings
- ***Authorizes collection of user fees/tolls on large commercial trucks***
- Authorizes bonds to finance the plan

H 7409: User Fees/Tolls

- Federal law allows tolls for *“reconstruction or replacement of a toll-free bridge or tunnel and conversion of the bridge or tunnel to a toll facility”*
- Bridges are broadly defined
 - Include spans of 20 ft. or more

H 7409: User Fees/Tolls

- Authorizes collection of user fees/tolls on large commercial trucks
 - Prohibits tolls on smaller vehicles
 - Calls for voter approval of any plan to toll passenger cars
 - Limited to FHWA Class 8 and above
 - Smallest is a single trailer with 3 or 4 axels

FHWA Vehicle Classifications

Class	Description
1-2	Motorcycles (1); Passenger Cars (2)
3-4	Pickups, Panels, Vans (3); Buses (4)
5-6	Single Unit Trucks – two axels (5);three axels(6)
7	Single Unit Trucks – four or more axles
8	Single Trailer - three or four axles
9 -10	Single Trailer - five axles (9) six or more (10)
11	Multi Trailer - five or fewer axels
12-13	Multi Trailer - six axels (12); seven + (13)

H 7409: User Fees/Tolls

- Authorizes DOT director to designate toll bridges
- DOT authority to set and adjust tolls based on cost of replacement and operation
- Advanced notification prior to posting public hearing on tolls: Governor, Speaker and President of Senate

H 7409: User Fees/Tolls

- Limits use of revenues to costs associated with the stated purposes
 - Tolls can only be used for gantries, and bridge work and maintenance or other permitted federal uses
- Provides for procurement of toll facilities
- Limits one way toll on 95 from CT to MA to \$20
- Limits one day toll total to \$40

H 7409: User Fees/Tolls

- Establishes authority for penalty for non-payment of toll
- Establishes \$3,000 fine for toll evasion
 - Traffic tribunal and fines go to fund

Example Routes: 2015 Proposal

Enter RI	Exit RI	Distance	Max. Fee*	Cost per Mile
I-95 (CT)	I-95 (MA)	43 miles	\$49.50	\$1.15
I-95 (CT)	I-295 (MA)	51 miles	\$49.50	\$0.97
I-195 (MA)	I-95 (CT)	40 miles	\$46.50	\$1.16
I-195 (MA)	I-95 (MA)	11 miles	\$36.00	\$3.27
I-195 (MA)	Route 6 (CT)	27 miles	\$35.50	\$1.31
I-195 (MA)	Route 146 (MA)	22 miles	\$49.50	\$2.25
Route 6 (CT)	I-295 (MA)	29 miles	\$20.00	\$0.69

*expected but not limited in article; only revision to original was one gantry hit per day limit

Example Routes: Current

Enter RI	Exit RI	Distance	Fee	Cost per Mile
I-95 (CT)	I-95 (MA)*	43 miles	\$20.00	\$0.46
I-95 (CT)	I-295 (MA)	51 miles	\$20.50	\$0.41
I-195 (MA)	I-95 (CT)	40 miles	\$17.50	\$0.44
I-195 (MA)	I-95 (MA)	11 miles	\$13.50	\$1.23
I-195 (MA)	Route 6 (CT)	27 miles	\$19.00	\$0.70
I-195 (MA)	Route 146 (MA)	22 miles	\$19.00	\$0.86
Route 6 (CT)	I-295 (MA)	29 miles	\$8.50	\$0.29

*limited in article; as is one day total

2016 - H 7409

- Establishes Findings
- Authorizes collection of user fees/tolls on large commercial trucks
- **Authorizes bonds to finance the plan**

H - 7409: Debt

Grant Anticipation Revenue Vehicle – or
“GARVEE” bonds

- New borrowing of \$300 million
- Refinance existing for upfront \$120 million and net cost of \$13.9 million

H - 7409: Debt

- Financing mechanism
 - GARVEE – program approved by Congress that allows states to borrow funds backed and repaid by the annual allocation of Federal Highway Administration construction funds

H - 7409: Debt

- Financing mechanism
 - 2003 Assembly authorized \$660.7 million for 5 major projects
 - I-195 relocation, Sakonnet River Bridge, Washington Bridge, Freight Rail Improvement, and Route 403
 - This is the debt that would be refinanced to provide \$120 million more up front

Transportation Debt Service

- General Obligation Bond Debt Service
 - FY 2015 - \$46.2 million
 - FY 2016 - \$46.0 million
- GARVEE Bond Debt Service
 - ~ \$50 million per year from federal funds
 - Two cents of DOT's gas tax for state match
 - FY 2015 - \$8.6 million
 - FY 2016 - \$8.5 million

RhodeWorks Proposal

- In December federal government finally approved increased funding & stability
- New resources not in original plan
 - Pledging those funds instead of tolls allows caps on toll amounts
 - Lower level of tolling still provides sustainable source that targets users

RhodeWorks Proposal

- Lowers total borrowing needed to make the upfront repairs that save money over time
- Borrowing needed to begin work on toll bridges because tolling cannot begin until contract for work is awarded
- Assumes \$400 million for state match on 6/10 project not accounted for in “constrained” models

Comparison

	June 2015	Jan 2016
Toll Bonds	\$591M - \$500M project	None
GARVEE Bonds	Refi \$120M	Refi + new \$300M
Debt Service	\$1,063M	\$490M max
Gantries	17	14
Tolls: I-95 1-way/daily	\$30/\$60 - not capped	\$20/\$40 - capped in law
Median Toll	\$3.50	\$3.00

Other Issues and Information

- Economic Impact Analysis
- Traffic Studies
- DOT Reorganization
- Gas Tax
 - Diesel
- Registration fees
- Prior Actions, reports, studies

Economic Impact

- REMI study shows overall 6k jobs get added –
 - mostly construction offsetting manufacturing and trucking industry losses
 - assumes RI gets \$400 million federal funds for 6/10
- REMI does not attempt to model behavior changes
- REMI does not evaluate soundness of plan

Traffic Studies

- Revenue projections hinge on traffic
 - Current flow including in/out of state
 - Likelihood of diversion
- Initial proposal based on internal data
 - Flawed but results from level II subsequent study supported aggregate revenue
- Level II study
 - Traffic data for 17 points
 - Diversion estimates for multiple toll levels

Traffic Studies

- Diversion
 - Occurs when cost of toll exceeds cost to divert
 - Measured by time and distance
 - Multiple gantries make diversion less likely
 - Local road restrictions also do that
 - Toll scenarios/gantry location have to be calibrated to all of this data

Traffic Studies

- Investment Grade Study
 - Longer 6+ months
 - More expensive - \$2 million
 - Likelihood of diversion
 - Needed if borrowing against toll to make bonds viable
 - Differ depending on issue
 - New road or new bridge vs existing

FY 2016 Budget: Reorg of DOT

- Requires DOT to be organized in accordance with a project management-based program & utilize an asset management system
 - Manages delivery of projects from conception to completion

FY 2016 Budget: Reorg. DOT

- Requires offices of:
 - Safety
 - External Affairs
 - Legal
 - Personnel
 - Information Services
- Other Divisions or subdivisions as Director deems necessary

Gasoline Tax

- Gasoline tax is assessed at both the federal and state level
- Levied on a per gallon basis
- Yields have decreased in the past decade
 - Economic downturn
 - High unemployment
 - Lower consumption

Gasoline Tax

- Gasoline Tax – FY 2016
 - Derived from 34.0 cents per gallon
 - 1 cent increase from FY 2015
 - \$143.2 million
 - Deposited into Intermodal Surface Transportation Fund
 - Distribution to transportation entities contained in statute

Regional Gasoline Taxes

Cents per gallon	<i>Gas</i>	<i>Diesel</i>
Rhode Island	34.0	34.0
Connecticut	37.5	50.3
Maine	30.0	31.2
Massachusetts	26.5	26.5
New Hampshire	23.8	23.8
Vermont	30.7	32.0
New England Average	30.4	33.0
U.S. Average	30.3	30.0

Source: American Petroleum Institute, includes state surcharges

Gasoline Tax – Diesel

Fiscal Year	Gas Tax per Gallon	Diesel Collections	Diesel Gallons	Per Penny Yield
2014	\$0.32	\$20,564,687	64,264,647	\$642,646
2013	\$0.32	\$18,600,252	58,125,788	\$581,258
2012	\$0.32	\$18,308,055	57,212,672	\$572,127
2011	\$0.32	\$19,572,914	61,165,356	\$611,654
2010*	\$0.32	\$18,298,527	57,182,897	\$571,829
2009	\$0.30	\$18,105,297	60,350,990	\$603,610

**Tax increased from \$0.30/gallon to \$0.32/gallon*

Gasoline Tax Proceeds (Cents)

Entity	Share
Department of Transportation	19.25
Public Transit Authority	9.75
Turnpike & Bridge Authority	3.5
Elderly Transportation - DHS	1.0
Environmental Protection Fee	0.5
Total	34.0

Gasoline Tax Proceeds

- Total of \$143.2 million for all of transportation in FY 2016
 - DOT - \$82.3 million
 - RIPTA - \$41.7 million
 - Turnpike & Bridge - \$15.0 million
 - Elderly Transportation - \$4.3 million

IFTA: International Fuel Tax Agreement

- Interstate carriers must pay RI gas tax for miles driven in RI regardless of where sold
- RI fuel sales reconciled with reported miles, exchanging funds w/other states as required
- Transactions reconciled thru a different account –
 - net total is expected to be \$0.5 million - add to gas tax for more accurate total of gas tax collections

Truck Registration

- International Registration Program
- Commercial vehicle registration shared between states if truck is:
 - Over 26,000 lbs gross vehicle weight;
 - 3+ axles, regardless of weight;
 - Power unit & trailer with combined weight over 26,000 lbs; or
 - Truck in declared fleet that operates in two IRP jurisdictions

Truck Registration

- Annual Fee from \$1,044 to \$1,344
 - If a truck is operated in multiple states, owner reports mileage driven in each state
 - Taxes paid proportionately based on the mileage driven
 - Owner pays taxes in one state – “Base”
 - “Base” state apportions fees to other states
- Class 8 and above appear to account for \$2.9 million in annual revenue

Blue Ribbon Panel - 2008

- Panel recommended a “cafeteria” style list of options to address need
 - *Tolling Interstate 95*
 - Transferring the ownership of state maintained bridges to the RITBA
 - Establishing surcharges for transportation related DMV fees
 - Increasing the gasoline tax
 - Redirecting current revenue streams

2013 Bridge Commission Considerations

- Fair and equitable
- Implementable
- Diversified
- Dedicated
- Efficient in the cost of collections
- Sustainable
- Indexed to inflation
- "user pays, user benefits"
- Easy to understand & market to the public
- Supportive of preserving the existing transportation system
- Supportive of economic development
- Measurable and transparent

2014 Assembly Changes

- Article 21 2014-H 7133
 - Transfers new revenue sources
 - DMV fees deposited as general revenues
 - Into the Highway Maintenance account for DOT operations
- All DOT funding scenarios assume use of this additional funding

2014 Assembly Changes

- Inspection fee from \$39 to \$55
- \$25 surcharge for good driving dismissal
 - Provided to DOT in FY 2015
- Established schedule to transfer transportation related fees from DMV to DOT
 - Deposited as general revenues
 - Worth \$52.8 million

2014 Assembly Changes

- Indexes gasoline tax
 - Consumer Price Index
 - Every other year rounded to the nearest cent
- Transferred 3.5 cents of gasoline tax to the Turnpike and Bridge Authority
 - Used in lieu of tolls
 - For operations and maintenance of the bridges under the Authority's purview

2014 Assembly Changes

- Transferred 5.0 percent of funding from Highway Maintenance Account to RIPTA
- Support operations beginning in FY 2016
- Initially projected to be approximately \$2.7 million
- Grow with increasing amounts of revenue in fund

Summary

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